



# NEWS RELEASE

## PRESS OFFICE

---

**Release Date:** August 25, 1999

**Contact:** Mike Stamler (202) 205-6740

**Release Number:** 99-68

**Internet Address:** [www.sba.gov/news/](http://www.sba.gov/news/)

## ***SBA'S ADMINISTRATOR ANNOUNCES SUCCESSFUL EFFORT ON FIRST ASSET SALE***

**WASHINGTON** – Administrator Aida Alvarez of the U.S. Small Business Administration (SBA) today announced the highly successful first sale of SBA loans to the private sector. The sale is the first of its kind for a Federal Credit Agency under the Credit Reform Act.

The loan sale is part of an innovative program of sales that will reduce the balance of direct and acquired SBA loans by up to \$10 billion over the next three years. The program also will establish a mechanism for selling up to \$500 million in new loans each year thereafter.

The widely anticipated first sale realized \$195 million in proceeds, a \$90 million premium over the \$105 million that the government estimated it would receive if it held the loans to maturity. Because this is the first time that this loan product type has been sold in this magnitude, the premium was exceptional.

In addition to placing the SBA at the forefront of the secondary market for these kinds of loans, the sale paved the way for additional reductions in SBA servicing costs and related operating expenses.

**"The first asset sale is another exciting step in the Agency's aggressive strategy for re-inventing itself as a 21<sup>st</sup> century leading edge institution,"** Administrator Alvarez said. **"We are changing the way we manage our credit portfolio, and we are changing it for the better."**

The sale – which was conducted under existing authority of the Small Business Act – is part of a government-wide initiative to sell federal loan assets to the private sector.

The sale included 4,060 small business loans that SBA had either made directly or had previously guaranteed for private sector lenders. The unpaid principal balances for the loans included in the sale totaled approximately \$332 million, with about half the loans classified as non-performing or under-performing. The loans were divided among 26 loan pools in order to maximize value.

SBA received 135 bids from 25 different bidders for the 26 different loan pools. The loan pools were sold in two packages: to CFSC Consortium LLC of Minneapolis, Minnesota, and to Loan Participation Partners Ltd. of Dallas, Texas.

SBA Deputy Administrator Fred Hochberg, who approved the two winning bids, said the agency was very pleased by the interest in SBA's first loan sale. "Market participation in this sales effort was very strong," Deputy Administrator Hochberg said. "SBA is pleased with the large number of bids that it received and with the prices offered for the loans. The high level of participation will be a momentum builder for the continuing sales program."

The first sale was the culmination of nearly two years of careful planning by SBA and its team of private sector contractors.

The money realized from the sale will be turned over to the U.S. Treasury.

The SBA has already begun work on its second sale, which is eagerly awaited by the investing public.

---

*For more information on all of SBA's programs for small businesses, call the SBA Answer Desk at 1-800-U-ASK-SBA, or visit the SBA's extensive website at [www.sba.gov](http://www.sba.gov).*

###